

Internal Control Guide Volume II

Internal Control Guide for Commonwealth Departments



Commonwealth of Massachusetts Office of the Comptroller

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Introduction

The purpose of this document is to identify the essential, legal requirements for Commonwealth departments as they relate to internal controls and internal control plans. In conformance with Chapter 647 of the Acts of 1989, *An Act Relative to Improving Internal Controls Within State Agencies*, the Office of the Comptroller is required to issue internal control guidelines. Accordingly, all operating departments in Massachusetts state government are required to develop and document departmental internal controls, which must be prioritized and summarized into a departmental internal control plan.

The Office of the Comptroller defines an internal control plan as, "a high level summarization, on a department-wide basis, of the department's risks (as the result of a risk assessment) and of the controls used by the department to mitigate those risks. This high level summary must be supported by lower level detail, i.e. departmental policies and procedures. We would expect this summary to be from ten to fifty pages depending on the size and complexity of the department".

Responsibility for the department internal control plan resides with the departments Internal Control Officer (ICO). The role of the ICO, as stated in Chapter 647, is described as follows: "...an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility...shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system." Internal controls are also the responsibility of every manager and supervisor, and any other staff member whose duties include being responsible for the activities, at least in part, of others.

To assist departments in their efforts, the Office of the Comptroller issued the first volume in the Internal Control Guide series. Volume I is entitled, the ***Internal Control Guide for Managers***, and is available on the Web at <http://www.osc.state.ma.us/> or <http://www.state.ma.us/osc/overview.htm>. It discusses the definition, basic concepts, and importance of internal control. Most of the information included in Internal Control Guide for Managers is generic in that it could apply to any manager in any organization, public or private.

This volume, the ***Internal Control Guide for Commonwealth Departments***, is the second in the internal control series, and is more specifically targeted to Massachusetts state government and to departments as a whole. This second document offers guidance on multiple levels and will be replacing a 1995 version with the same title. It is designed to assist departments in preparing an internal control plan, and explains how to build an internal control plan by providing the following chapters:

Chapter One Department Internal Control Plans

- A. Definition
- B. Directions for developing an Internal Control Plan.
(See also *Internal Control Guide for Managers*, Chapter V)
- C. Examples of Department Internal Control Plans

Chapter Two Department Risk Assessments

- A. Definition
- B. Risk Assessment Tool
- C. Examples

Chapter Three Department Control Activities

- 1. Definition
- 2. One Method for Documenting Controls
- 3. Examples

The significance of a department-wide internal control plan cannot be overstated. IC properly utilized, documented, and kept up to date allow us as senior managers to protect the assets of the Commonwealth and maintain the public trust. Departments not in compliance with internal control requirements are subject to potential penalties. The above resources are intended to assist department heads and internal control officers in the development of their departments' internal control plans.

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